

Disclosure Abstract: Separate Disclosure Abstract on this condominium project:

☐ Required and attached to this report

☒ Not required - disclosures covered in this report.

Summary of Changes from Earlier Public Reports:

This summary contains a general description of the changes, if any, made by the developer since the last public report was issued. It is not necessarily all inclusive. Prospective buyers should compare this public report with the earlier reports if they wish to know the specific changes that have been made.

☒ No prior reports have been issued by the developer.

☐ Changes made are as follows:

SPECIAL ATTENTION

This is a CONDOMINIUM PROJECT, **not** a subdivision. There are County restrictions on the number of residential dwelling units, or other structures, which may be built on the property. Therefore, unless the Purchaser is buying an existing residential dwelling, THERE IS NO ASSURANCE THAT THE PURCHASER WILL BE ABLE TO BUILD A RESIDENTIAL DWELLING UNIT ON THE PROPERTY. THERE IS ALSO NO ASSURANCE THAT THE PURCHASER WILL BE ABLE TO CONVERT AN EXISTING NON-RESIDENTIAL STRUCTURE TO A RESIDENTIAL USE. The Purchaser should consult with the appropriate County agencies to determine whether the Purchaser may build a residential dwelling unit, or any other type of structure, on the property.

1. There are presently TWO (2) RESIDENTIAL STRUCTURES ON THE PROPERTY. The other buildings on the property are storage sheds, a workshop and a greenhouse, each of which may be defined as an "apartment" under the condominium property act.
2. This public report does **not** constitute an approval of the project by the Real Estate Commission or any other government agency, nor does it warrant that all applicable County codes, ordinances, and subdivision requirements have necessarily been complied with.
3. The land area beneath and immediately appurtenant to each unit is designated a **LIMITED COMMON ELEMENT** and is **not** a legally subdivided lot. The dotted lines on the Condominium Map bounding the designated number of square feet in each limited common element land area are for illustrative purposes only and should not be construed to be the property lines of legally subdivided lots.
4. Facilities and improvements normally associated with County approved subdivisions, such as fire protection devices, County street lighting, electricity, upgraded water facilities, improved access for owners and emergency traffic, drainage facilities, etc., may not be provided, and services such as County street maintenance and trash collection may not be available for interior roads and driveways.

SPECIAL ATTENTION (Concluded):

THE PROSPECTIVE PURCHASER IS CAUTIONED TO CAREFULLY REVIEW THE CONDOMINIUM DOCUMENTS REFERENCED IN THIS PUBLIC REPORT FOR FURTHER INFORMATION WITH REGARD TO THE FOREGOING.

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General Information On Condominiums

A condominium is a special form of real property. To create a condominium in Hawaii, the requirements of the Condominium Property Act, Chapter 514A, Hawaii Revised Statutes, must be complied with. In addition, certain requirements and approvals of the County in which the project is located must be satisfied and obtained.

Some condominium projects are leasehold. This means that the land or the building(s) and other improvements are leased to the buyer. The lease for the land usually requires that at the end of the lease term, the lessees (apartment owners/tenants) deliver their interest in the land to the lessor (fee property owner). The lease also usually requires that the lessees either (1) convey to the lessor the building(s) and other improvements, including any improvements paid for by the lessees; or (2) remove or dispose of the improvements at the lessee's expense. Leases for individual apartments often require that at the end of the lease term, the lessee deliver to the lessor the apartment, including any improvements placed in the apartment by the lessee.

If you are a typical condominium apartment owner, you will have two kinds of ownership: (1) ownership in your individual apartment; and (2) an undivided interest in the common elements.

"Common Elements" are the areas of the condominium project other than the individual apartments. They are owned jointly by all apartment owners and include the land, either in fee simple or leasehold, and those parts of the building or buildings intended for common use such as foundations, columns, roofs, halls, elevators, and the like. Your undivided interest in the common elements cannot be separated from ownership of your apartment.

In some condominium projects, some common elements are reserved for the exclusive use of the owners of certain apartments. These common elements are called "limited common elements" and may include parking stalls, patios, lanais, trash chutes, and the like.

You will be entitled to exclusive ownership and possession of your apartment. Condominium apartments may be individually bought, sold, rented, mortgaged or encumbered, and may be disposed of by will, gift, or operation of law.

Your apartment will, however, be part of the group of apartments that comprise the condominium project. Study the project's Declaration, Bylaws, and House Rules. These documents contain important information on the use and occupancy of apartments and the common elements as well as the rules of conduct for owners, tenants, and guests.

Operation of the Condominium Project

The Association of Apartment Owners is the entity through which apartment owners may take action with regard to the administration, management, and operation of the condominium project. Each apartment owner is automatically a member of the Association.

The Board of Directors is the governing body of the Association. Unless you serve as a board member or an officer, or are on a committee appointed by the board, your participation in the administration and operation of the condominium project will in most cases be limited to your right to vote as an apartment owner. The Board of Directors and officers can take certain actions without the vote of the owners. For example, the board may hire and fire employees, increase or decrease maintenance fees, borrow money for repair and improvements and set a budget. Some of these actions may significantly impact the apartment owners.

Until there is a sufficient number of purchasers of apartments to elect a majority of the Board of Directors, it is likely that the developer will effectively control the affairs of the Association. It is frequently necessary for the developer to do so during the early stages of development and the developer may reserve certain special rights to do so in the Declaration and Bylaws. Prospective buyers should understand that it is important to all apartment owners that the transition of control from the developer to the apartment owners be accomplished in an orderly manner and in a spirit of cooperation.

I. PERSONS CONNECTED WITH THE PROJECT

Developer: Gordon L. Sanchez Phone: (808) 245-2872
Doreen L. Sanchez-Rego
Robin D. Sanchez
P. O. Box 3212
Lihue, Kauai, Hawaii 96766

Names of officers or general partners of developers who are corporations or partnerships:

N/A

Real Estate
Broker: Kauai Realty, Inc. Phone: (808) 245-1651
2970 Kress Street
Lihue, Kauai, Hawaii 96766

Escrow: Title Guaranty Escrow Services, Inc. Phone: (808) 245-3381
4414 Kukui Grove Street, Suite 204
Lihue, Kauai, Hawaii 96766

General
Contractor: Curtis E. Law Phone: (808) 246-0676
4371-1 Rice Street
Lihue, Kauai, Hawaii 96766

Bco Construction Phone: (808) 742-1690
P. O. Box 409
Lawai, Kauai, Hawaii 96765

Condominium
Managing
Agent: Self-managed by Association of Unit Owners

Attorney for
Developer: Max W. J. Graham, Jr. Phone: (808) 245-4705
Belles Graham Proudfoot & Wilson
4334 Rice Street, Suite 202
Lihue, Kauai, Hawaii 96766

II. CREATION OF THE CONDOMINIUM; CONDOMINIUM DOCUMENTS

A condominium is created by recording in the Bureau of Conveyances and/or filing with the Land Court a Declaration of Condominium Property Regime, a Condominium Map (File Plan), and the Bylaws of the Association of Apartment Owners. The Condominium Property Act (Chapter 514A, HRS), the Declaration, Bylaws, and House Rules control the rights and obligations of the apartment owners with respect to the project and the common elements, to each other, and to their respective apartments. The provisions of these documents are intended to be, and in most cases are, enforceable in a court of law.

- A. **Declaration of Condominium Property Regime** contains a description of the land, buildings, apartments, common elements, limited common elements, common interests, and other information relating to the condominium project.

The Declaration for this condominium is:

☐ Proposed
☒ Recorded - Bureau of Conveyances: Document No. 96-167050
Book _____ Page _____
☐ Filed - Land Court: Document No. _____

The Declaration referred to above has been amended by the following instruments [state name of document, date and recording/filing information]: First Amendment to Declaration of Condominium Property Regime of Sanchez Farms Condominium dated December 11, 1998, and recorded as Document No. 98-188798.

- B. **Condominium Map (File Plan)** shows the floor plan, elevation and layout of the condominium project. It also shows the floor plan, location, apartment number, and dimensions of each apartment.

The Condominium Map for this condominium project is:

☐ Proposed
☒ Recorded - Bureau of Conveyances Condo Map No. 2493
☐ Filed - Land Court Condo Map No. _____

The Condominium Map has been amended by the following instruments [state name of document, date and recording/filing information]:

- C. **Bylaws of the Association of Apartment Owners** govern the operation of the condominium project. They provide for the manner in which the Board of Directors of the Association of Apartment Owners is elected, the powers and duties of the Board, the manner in which meetings will be conducted, whether pets are prohibited or allowed and other matters which affect how the condominium project will be governed.

The Bylaws for this condominium are:

☐ Proposed
☒ Recorded - Bureau of Conveyances: Document No. 96-167051
Book _____ Page _____
☐ Filed - Land Court: Document No. _____

The Bylaws referred to above have been amended by the following instruments [state name of document, date and recording/filing information]:

- D. **House Rules.** The Board of Directors may adopt House Rules to govern the use and operation of the common elements and limited common elements. House Rules may cover matters such as parking regulations, hours of operation for common facilities such as recreation areas, use of lanais and requirements for keeping pets. These rules must be followed by owners, tenants, and guests. They do not need to be recorded or filed to be effective. The initial House Rules are usually adopted by the developer.

The House Rules for this condominium are:

☐ Proposed ☐ Adopted ☒ Developer does not plan to adopt House Rules

E. **Changes to Condominium Documents**

Changes to the Declaration, Condominium Map, and Bylaws are effective only if they are duly adopted and recorded and/or filed. Changes to House Rules do not need to be recorded or filed to be effective.

1. **Apartment Owners:** Minimum percentage of common interests which must vote for or give written consent to changes:

| | <u>Minimum Set by Law</u> | <u>This Condominium</u> |
|--------------------------------|-------------------------------|-------------------------|
| Declaration (and Condo Map) | 75%* | <u>75%</u> |
| Bylaws | 65% | <u>65%</u> |
| House Rules | ----- | <u>N/A</u> |

*The percentages for individual condominium projects may be more than the minimum set by law for projects with five or fewer apartments.

2. **Developer**

- ☐ No rights have been reserved by the developer to change the Declaration, Condominium Map, Bylaws or House Rules.
- ☒ Developer has reserved the following rights to change the Declaration, Condominium Map, Bylaws or House Rules:

The Developer reserves the right to change the Declaration and Condominium Map as provided for in Section M.2. of the Declaration, and further the Developer reserves the right to change the By-Laws as provided for in Section 14.4(b) of the Bylaws.

III. THE CONDOMINIUM PROJECT

A. Interest to be Conveyed to Buyer:

- ☒ Fee Simple: Individual apartments and the common elements, which include the underlying land, will be in fee simple.
- ☐ Leasehold or Subleasehold: Individual apartments and the common elements, which include the underlying land will be leasehold.

Leases for the individual apartments and the underlying land usually require that at the end of the lease term, the lessee (apartment owner/tenant) deliver to the lessor (fee property owner) possession of the leased premises and all improvements, including improvements paid for by the lessee.

Exhibit_____contains further explanation regarding the manner in which the renegotiated lease rents will be calculated and a description of the surrender clause provision(s).

Lease Term Expires:_____

Rent Renegotiation Date(s):_____

Lease Rent Payable: ☐ Monthly ☐ Quarterly
☐ Semi-Annually ☐ Annually

Exhibit_____contains a schedule of the lease rent for each apartment per ☐ Month ☐ Year

For Subleaseholds:

- ☐ Buyer's sublease may be canceled if the master lease between the sublessor and fee owner is:
☐ Canceled ☐ Foreclosed

- ☐ As long as the buyer is not in default, the buyer may continue to occupy the apartment and/or land on the same terms contained in the sublease even if the master lease is canceled or foreclosed.

- ☐ Individual Apartments in Fee Simple; Common Interest in the Underlying Land in Leasehold or Subleasehold:

Leases for the underlying land usually require that at the end of the lease term, the lessees (apartment owners/tenants) deliver to the lessor (fee property owner) their interest in the land and that they either (1) remove or dispose of the building(s) and other improvements at the lessee's expense; or (2) convey the building(s) and improvements to the lessor, often at a specific price.

Exhibit_____contains further explanations regarding the manner in which the renegotiated lease rents will be calculated and a description of the surrender clause provision(s).

Lease Term Expires:_____

Rent Renegotiation Date(s):_____

Lease Rent Payable: ☐ Monthly ☐ Quarterly
☐ Semi-Annually ☐ Annually

Exhibit_____contains a schedule of the lease rent for each apartment per ☐ Month ☐ Year

☐ Other:

IMPORTANT INFORMATION ON LEASEHOLD CONDOMINIUM PROJECTS

The information contained in this report is a summary of the terms of the lease. For more detailed information, you should secure a copy of the lease documents and read them thoroughly.

If you have any legal questions about leasehold property, the lease documents or the terms of the lease and the consequences of becoming a lessee, you should seek the advice of an attorney.

There are currently no statutory provisions for the mandatory conversion of leasehold condominiums and there are no assurances that such measures will be enacted in the future.

In leasehold condominium projects, the buyer of an apartment will acquire the right to occupy and use the apartment for the time stated in the lease agreement. The buyer will not acquire outright or absolute fee simple ownership of the land. The land is owned by the lessor or the leased fee owner. The apartment owner or lessee must make lease rent payments and comply with the terms of the lease or be subject to the lessor's enforcement actions. The lease rent payments are usually fixed at specific amounts for fixed periods of time, and are then subject to renegotiation. Renegotiation may be based on a formula, by arbitration set in the lease agreement, by law or by agreement between the lessor and lessee. The renegotiated lease rents may increase significantly. At the end of the lease, the apartment owners may have to surrender the apartments, the improvements and the land back to the lessor without any compensation (surrender clause).

When leasehold property is sold, title is normally conveyed by means of an assignment of lease, the purpose of which is similar to that of a deed. The legal and practical effect is different because the assignment conveys only the rights and obligations created by the lease, not the property itself.

The developer of this condominium project may have entered into a master ground lease with the fee simple owner of the land in order to develop the project. The developer may have then entered into a sublease or a new lease of the land with the lessee (apartment owner). The developer may lease the improvements to the apartment owner by way of an apartment lease or sublease, or sell the improvements to the apartment owners by way of a condominium conveyance or apartment deed.

B. Underlying Land:

Address: 962 Kamalii Road Tax Map Key: (4) 4-4-02:87
South Oloheua, Kawaihau, Kauai, Hawaii(TMK)

☐ Address ☐ TMK is expected to change because _____

Land Area: 9.419 ☐ square feet ☒ acre(s)

Zoning: LUC-Ag
County-Ag

Fee Owner: Gordon L. Sanchez
Doreen L. Sanchez-Rego
Robin D. Sanchez
P. O. Box 3212
Lihue, Kauai, Hawaii 96766

Lessor: N/A
Name
Address

C. Buildings and Other Improvements:

1. ☐ New Building(s) ☐ Conversion of Existing Building(s) ☒ Both New Building(s) and Conversion

2. Number of Buildings: 8 Floors Per Building 1
☒ Exhibit "A" contains further explanations.

3. Principal Construction Material:

☐ Concrete ☐ Hollow Tile ☒ Wood

☐ Other _____

4. Permitted Uses by Zoning:

| | No. of Use Permitted <u>Apts.</u> <u>By Zoning</u> | No. of Use Determined <u>Apts.</u> <u>By Zoning</u> |
|---|--|--|
| <input type="checkbox"/> Residential <u> </u> <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Ohana | <u> </u> <input type="checkbox"/> Yes <input type="checkbox"/> No | |
| <input type="checkbox"/> Commercial <u> </u> <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Industrial | <u> </u> <input type="checkbox"/> Yes <input type="checkbox"/> No | |
| <input type="checkbox"/> Mix Res/Comm <u> </u> <input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Agricultural | <u>3</u> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | |
| <input type="checkbox"/> Hotel <u> </u> <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Recreational Workshop, | <u> </u> <input type="checkbox"/> Yes <input type="checkbox"/> No | |
| <input type="checkbox"/> Timeshare <u> </u> <input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Other: <u>Greenhouse, Sheds</u> | <u>5</u> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | |

Is/Are this/ these use(s) specifically permitted by the project's Declaration or Bylaws?
☒ Yes ☐ No

5. Special Use Restrictions:

The Declaration and Bylaws may contain restrictions on the use and occupancy of the apartments. Restrictions for this condominium project include but are not limited to:

[] Pets: N/A

[] Number of Occupants: N/A

[] Other: N/A

[X] There are no special use restrictions.

6. Interior (fill in appropriate numbers):

Elevators: 0 Stairways: 0 Trash Chutes: 0

| | Apt. Type | Quantity | BR/Bath | Living Area (sf)* | Net Lanai/Patio (sf) | Net Shed Area | Net Garage Area |
|---------------|--------------|----------|---------|-------------------|-------------------------|------------------|--------------------|
| Guest Cottage | Unit 1 | 1 | 1/1 | 470 | -0- | -0- | -0- |
| Workshop | Unit 2 | 1 | -0- | -0- | -0- | 470 | -0- |
| Farm Dwell. | Unit 3 | 1 | 4/2½ | 1,921** | 280 | -0- | 440 |
| Storage Shed | Units 4-6 | 3 | -0- | -0- | -0- | 80 | -0- |
| Greenhouse | Unit 7 | 1 | -0- | -0- | -0- | 800 | -0- |
| Storage Shed | Unit 7 | 1 | -0- | -0- | -0- | 198 | -0- |

Total Apartments: 7

*Net Living Area is the floor area of the apartment measured from the interior surface of the apartment perimeter walls.

**Includes 1,869 s.f. living area and 52 s.f. storage area.

Other documents and maps may give floor area figures which differ from those above because a different method of determining the floor area may have been used.

Boundaries of Each Apartment:

See Exhibit "A"

Permitted Alterations to Apartments:

See Exhibit "B"

7. Parking Stalls:

Total Parking Stalls: 0

| | <u>Regular</u> | | <u>Compact</u> | | <u>Tandem</u> | | |
|--------------------------|----------------|-------------|----------------|-------------|----------------|-------------|--------------|
| | <u>Covered</u> | <u>Open</u> | <u>Covered</u> | <u>Open</u> | <u>Covered</u> | <u>Open</u> | <u>TOTAL</u> |
| Assigned (for each unit) | _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| Guest | _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| Unassigned | _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| Extra for Purchase | _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| Other: _____ | _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| Total Covered & Open: | <u>0</u> | | <u>0</u> | | <u>0</u> | | <u>0</u> |

Each apartment will have the exclusive use of at least 0 parking stall(s).
Buyers are encouraged to find out which stall(s) will be available for their use.

☐ Commercial parking garage permitted in condominium project.

☐ Exhibit _____ contains additional information on parking stalls for this condominium project.

8. Recreational and Other Common Facilities:

☐ There are no recreational or common facilities.

☐ Swimming pool ☐ Storage Area ☐ Recreation Area

☐ Laundry Area ☐ Tennis Court ☐ Trash Chute

☒ Other: Common driveway and utilities

9. Compliance With Building Code and Municipal Regulations: Cost to Cure Violations

☒ There are no violations. ☐ Violations will not be cured.

☐ Violations and cost to cure are listed below. ☐ Violations will be cured by _____
(Date)

* See Sanchez Farms Condominium Architect's Certification attached as Exhibit "H", and Part V, Paragraph C. (3) (page 20) of this Public Report.

10. Condition and Expected Useful Life of Structural Components, Mechanical, and Electrical Installations

(For conversions of residential apartments in existence for at least five years):

See Sanchez Farms Condominium Architect's Certification attached as Exhibit "H"

11. Conformance to Present Zoning Code

a. ☒ No variances to zoning code have been granted.

☐ Variance(s) to zoning code was/were granted as follows:

b. Conforming/Non-Conforming Uses, Structures, Lot

In general, a non-conforming use, structure, or lot is a use, structure, or lot which was lawful at one time but which does not now conform to present zoning requirements.

| | <u>Conforming</u> | <u>Non-Conforming</u> | <u>Illegal</u> |
|------------|-------------------|-----------------------|-------------------|
| Uses | <u>X</u> | <u> </u> | <u> </u> |
| Structures | <u>X</u> | <u> </u> | <u> </u> |
| Lot | <u>X</u> | <u> </u> | <u> </u> |

If a variance has been granted or if uses, improvements or lot are either non-conforming or illegal, buyer should consult with county zoning authorities as to possible limitations which may apply.

Limitations may include restrictions on extending, enlarging, or continuing the non-conformity, and restrictions on altering and repairing structures. In some cases, a non-conforming structure that is destroyed or damaged cannot be reconstructed.

The buyer may not be able to obtain financing or insurance if the condominium project has a non-conforming or illegal use, structure, or lot.

D. Common Elements, Limited Common Elements, Common Interests:

1. Common Elements: Common Elements are those parts of the condominium project other than the individual apartments. Although the common elements are owned jointly by all apartment owners, those portions of the common elements which are designated as limited common elements (see paragraph 2 below) may be used only by those apartments to which they are assigned. The common elements for this project, as described in the Declaration, are:

☒ described in Exhibit "A".

☐ as follows:

2. Limited Common Elements: Limited Common Elements are those common elements which are reserved for the exclusive use of the owners of certain apartments.

[] There are no limited common elements in this project.

[X] The limited common elements and the apartments which use them, as described in the Declaration, are:

[X] described in Exhibit "A".

[] as follows:

3. Common Interests: Each apartment will have an undivided fractional interests in all of the common elements. This interest is called the "common interests." It is used to determine each apartment's share of the maintenance fees and other common profits and expenses of the condominium project. It may also be used for other purposes, including voting on matters requiring action by apartment owners. The common interests for the apartments in this project, as described in the Declaration, are:

[X] described in Exhibit "C".

[] as follows:

- E. Encumbrances Against Title: An encumbrance is a claim against or a liability on the property or a document affecting the title or use of the property. Encumbrances may have an adverse effect on the property or your purchase and ownership of an apartment in the project.

Exhibit "D" describes the encumbrances against the title contained in the title report dated April 6, 1998
and issued by Title Guaranty Escrow Services, Inc.

Blanket Liens:

A blanket lien is an encumbrance (such as a mortgage) on the entire condominium project that secures some type of monetary debt (such as a loan) or other obligation. A blanket lien is usually released on an apartment-by-apartment basis upon payment of specified sums so that individual apartments can be conveyed to buyers free and clear of the lien.

[] There are no blanket liens affecting title to the individual apartments.

[X] There are blanket liens which may affect title to the individual apartments.

Blanket liens (except for improvement district or utility assessments) must be released before the developer conveys the apartment to a buyer. The buyer's interest will be affected if the developer defaults and the lien is foreclosed prior to conveying the apartment to buyer.

| <u>Type of Lien</u> | <u>Effect on Buyer's Interest and Deposit if Developer Defaults or Lien is Foreclosed Prior to Conveyance</u> |
|--|--|
| Tax liens against Gordon Sanchez and Sandra Sanchez by the Dept. of Treasury, Internal Revenue Service | Buyer's interest will be terminated and Buyer may be entitled to a refund of deposit, less escrow cancellation fees. |

F. Construction Warranties:

Warranties for individual apartments and the common elements, including the beginning and ending dates for each warranty, are as follows:

1. Building and Other Improvements:

Common Elements - None

All Units will be sold "As Is" and no warranties are applicable.

2. Appliances:

Any manufacturer's warranties currently in effect.

G. Status of Construction and Date of Completion or Estimated Completion Date:

Unit 1 Guest House was built in 1991.
Unit 2 workshop was built in 1991.
Unit 3 Farm Dwelling was completed in November 1996.
Unit 4, 5 and 6 Storage Sheds were built in 1992.
Unit 7 Greenhouse was completed in March 1998.
Unit 7 Storage Shed was completed in March 1998.

H. Project Phases:

The developer [] has [X] has not reserved the right to add to, merge, or phase this condominium.

Summary of Developer's plans or right to perform for future development (such as additions, mergers or phasing):

IV. CONDOMINIUM MANAGEMENT

- A. **Management of the Common Elements:** The Association of Apartment Owners is responsible for the management of the common elements and the overall operation of the condominium project. The Association may be permitted, and in some cases may be required, to employ or retain a condominium managing agent to assist the Association in managing the condominium project.

Initial Condominium Managing Agent: When the developer or the developer's affiliated is the initial condominium managing agent, the management contract must have a term of one year or less and the parties must be able to terminate the contract on notice of 60 days or less.

The initial condominium managing agent for this project, named on page five (5) of this report is:

☐ not affiliated with the Developer ☐ the Developer or the Developer's affiliate.
☒ self-managed by the Association of Apartment Owners ☐ other_____

- B. **Estimate of Initial Maintenance Fees:**

The Association will make assessments against your apartment to provide funds for the operation and maintenance of the condominium project. If you are delinquent in paying the assessments, your apartment may be liened and sold through a foreclosure proceeding.

Initial maintenance fees are difficult to estimate and tend to increase as the condominium ages. Maintenance fees may vary depending on the services provided.

Exhibit_____ "E" _____ contains a schedule of estimated initial maintenance fees and maintenance fee disbursements (subject to change).

- C. **Utility Charges for Apartments:**

Each apartment will be billed separately for utilities except for the following checked utilities which are included in the maintenance fees:

☒ None ☐ Electricity ☐ Gas ☐ Water
☐ Sewer ☐ Television Cable ☐ Other_____

V. MISCELLANEOUS

A. Sales Documents Filed With the Real Estate Commission:

Sales documents on file with the Real Estate commission include but are not limited to:

☐ Notice to Owner Occupants

☒ Specimen Sales Contract
Exhibit "F" contains a summary of the pertinent provisions of the sales contract.

☒ Escrow Agreement dated January 13, 1997
Exhibit "G" contains a summary of the pertinent provisions of the escrow agreement.

☐ Other _____

B. Buyer's Right to Cancel Sales Contract:

1. Rights Under the Condominium Property Act (Chapter 514A, HRS):

Preliminary Report: Sales made by the developer are not binding on the prospective buyer. Sales made by the developer may be binding on the developer unless the developer clearly states in the sales contract that sales are not binding. A prospective buyer who cancels the sales contract is entitled to a refund of all moneys paid, less any escrow cancellation fee up to \$250.00.

Supplementary Report to a Preliminary Report: Same as for Preliminary Report.

Final Report or Supplementary Report to a Final Report: Sales made by the developer are binding if:

A) The developer delivers to the buyer a copy of:

- 1) Either the Final Public Report **OR** the Supplementary Public Report which has superseded the Final Public Report for which an effective date has been issued by the Real Estate Commission;

AND

- 2) Any other public report issued by the developer prior to the date of delivery, if the report was not previously delivered to the buyer and if the report has not been superseded;

B) The buyer is given an opportunity to read the report(s); **AND**

C) One of the following has occurred:

- 1) The buyer has signed a receipt for the report(s) and waived the right to cancel; or
- 2) Thirty (30) days have passed from the time the report(s) were delivered to the buyer; or
- 3) The apartment is conveyed to the buyer within 30 days from the date the report(s) were delivered to the buyer.

Material Change: Binding contracts with the Developer may be rescinded by the buyer if:

A) There is a material change in the project which directly, substantially, and adversely affects (1) the use or value of the buyer's apartment or its limited common elements; or (2) the amenities available for buyer's use; **AND**

B) The buyer has not waived the right to rescind.

If the buyer rescinds a binding sales contract because there has been a material change, the buyer is entitled to a full and prompt refund of any moneys the buyer paid.

2. Rights Under the Sales Contract: Before signing the sales contract, prospective buyers should ask to see and carefully review all the documents relating to the project. If these documents are not in final form, the buyer should ask to see the most recent draft. These include but are not limited to the:

- A) Condominium Public Reports issued by the developer which have been given an effective date by the Hawaii Real Estate Commission.
- B) Declaration of Condominium Property Regime, as amended.
- C) Bylaws of the Association of Apartment Owners, as amended.
- D) House Rules, if any.
- E) Condominium Map, as amended.
- F) Escrow Agreement.
- G) Hawaii's Condominium Property Act (Chapter 514A, HRS, as amended) and Hawaii Administrative Rules, (Chapter 16-107, adopted by the Real Estate Commission, as amended).
- H) Other _____

Copies of the condominium and sales documents and amendments made by the developer are available for review through the developer and are on file at the Department of Commerce and Consumer Affairs. Reprints of Hawaii's Condominium Property Act (Chapter 514A, HRS) and Hawaii Administrative Rules, Chapter 16-107, are available at the Cashier's Office, Department of Commerce and Consumer Affairs, 1010 Richards Street, 3rd Floor, Honolulu, Hawaii, mailing address: P.O. Box 541, Honolulu HI 96809, at a nominal cost.

This Public Report is a part of Registration No. 3700 filed with the Real Estate Commission on February 18, 1997.

Reproduction of Report. When reproduced, this report must be on:

☐ YELLOW paper stock ☒ WHITE paper stock ☐ PINK paper stock

C. Additional Information Not Covered Above

- (1) Purchasers should be aware that Chapter 205, Hawaii Revised Statutes ("H.R.S."), does not authorize residential dwellings as a permissible use in an agricultural use district, unless the dwelling is related to an agricultural activity or is a "farm dwelling".

The term "farm dwelling" is defined in H.R.S. Chapter 205-4.5(a)(4) as a "single family dwelling located on and used in connection with a farm, including clusters of single-family farm dwelling permitted within agricultural parks developed by the State or where agricultural activity provides income to the family occupying the dwelling."

The penalty for violation of H.R.S. Section 205-4.5, is a fine of not more than \$5,000. If any person who is cited for a violation of the law fails to remove the violation within six months of such citation and the violation continues, such person is subject to a citation for a new and separate violation. There shall be a fine of not more than \$5,000 for any additional violation.

In order for any purchaser to obtain a building permit to construct a single family residential unit (farm dwelling), the County of Kauai will require the purchase to sign a Farm Dwelling Agreement in the form attached hereto as Exhibit "I".

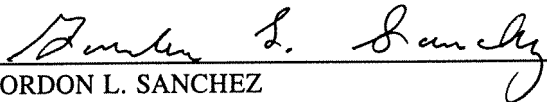
In addition, Section K.2. of the Declaration imposes a duty of each unit owner to bear an equal burden proportionate to the unit owner's respective appurtenant interest in the common area for the cost of maintaining agricultural activities on the Project that are satisfactory to the Planning Department of the County of Kauai and that will allow the issuance of a Farm Dwelling Agreement and corresponding building permit to all of the units with the Project. A copy of Section K.2. of the Declaration is attached hereto as Exhibit "J".

- (2) This project is exempt from filing an Owner-Occupant Presale Notice since the Developer intends to convey all units to a spouse or family member related by blood, descent or adoption pursuant to Hawaii Revised Statutes, Section 514A-108(b). Should any of the residential units be sold to any non-family member, Developer will comply with Part VI. Sales to Owner Occupants of Hawaii Revised Statutes, Section 514-A.
- (3) The Condominium Map and Plans show the various structures on the Project "as built". The Guest Cottage on Unit 1 was constructed differently than the plans approved and on file at the County of Kauai Building Division, Department of Public Works ("Building Division") in that the window sizes were changed and the floor plan reversed. The Unit 2 Workshop was constructed differently from the plans approved and on file at the Building Division in that the bathroom and closet were constructed on the left instead of the rear of the building. These structures were given final inspection approval by a Building Division inspector, but no revised plans were ever submitted. The Developer does not intend to submit the revised plans to the Building Division.

- D. The developer hereby certifies that all the information contained in this Report and the Exhibits attached to this Report and all documents to be furnished by the developer to buyers concerning the project have been reviewed by the developer and are, to the best of the developer's knowledge, information and belief, true, correct and complete.

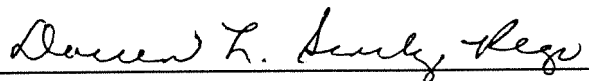
GORDON L. SANCHEZ, DOREEN L. SANCHEZ-REGO, ROBIN D. SANCHEZ

Owner/Developer


GORDON L. SANCHEZ


11/19/96

Date


DOREEN L. SANCHEZ-REGO

11/19/96

Date


ROBIN D. SANCHEZ

11/19/96

Date

Distribution:

Department of Finance, County of Kauai

Planning Department, County of Kauai

Federal Housing Administration

EXHIBIT "A"

DESCRIPTION OF APARTMENTS AND BUILDINGS:

The Project contains eight (8) buildings, each of which is described herein and shown on the Condominium Map.

Unit 1, located as shown on the Condominium Map is a guest cottage with a living area of 470 square feet. Unit 1 is constructed primarily of wood with a concrete footing foundation and contains one bedroom, a living room, kitchen, and bathroom.

Unit 2, located as shown on the Condominium Map is a workshop with a net area of 470 square feet. Unit 2 is constructed primarily of wood with a concrete footing foundation.

Unit 3, located as shown on the Condominium Map, consists of one single family residential dwelling unit. Unit 3 is constructed primarily of wood with a concrete footing foundation with a net living area of 1,869 square feet, and contains 4 bedrooms, a utility room, a dining room, living room, kitchen, 2-1/2 bathrooms, lanai areas of 280 square feet, a storage area of 52 square feet, a carport of 440 square feet, for a total area of 2,641 square feet.

Unit 4, located as shown on the Condominium Map, is an agricultural storage shed, with a net area of 80 square feet. It is constructed of wood, has a metal roof, and has a concrete footing foundation.

Unit 5, located as shown on the Condominium Map, is an agricultural storage shed, with a net area of 80 square feet. It is constructed of wood, has a metal roof, and has a concrete footing foundation.

Unit 6, located as shown on the Condominium Map, is an agricultural storage shed, with a net area of 80 square feet. It is constructed of wood, has a metal roof, and has a concrete footing foundation.

Unit 7, located as shown on the Condominium Map, is composed of a storage shed with a net area of 198 square feet and a separate greenhouse with a net area of 800 square feet. The storage shed is constructed primarily of wood, with concrete footing foundations, open sides, a dirt floor, with a metal roof. The greenhouse is constructed of a wood and metal pipe frame, covered with nylon netting, and a dirt floor.

USES:

The property is presently located within the State Land Use Commission ("SLUC") Agriculture District and within the County of Kauai Comprehensive Zoning Ordinance ("CZO") Agriculture District. As such, the entire property is only entitled to a residential density of three (3) single-family dwelling units (also referred to as "Farm Dwelling") and one "Guest House". The term "Farm Dwelling" shall have the same meaning as contained in the SLUC Rules and Regulations, as amended from time to time, and the term "Guest House" shall have the same meaning as contained in the CZO, as amended from time to time. As long as the property is restricted to a residential density of three (3) Farm Dwellings and One Guest House, Units 1, 3 and 7 shall be entitled to have constructed within their Limited Common Element one (1) Farm Dwelling each, and Unit 2 shall be entitled to have constructed within its Limited Common Element one (1) Guest House. Units 4, 5 and 6 shall not be entitled to have constructed within their Limited Common Elements a Farm Dwelling or a Guest House, but may have constructed thereon any other building or structure permitted by the SLUC or under the CZO. If additional residential density becomes allowable on the property, then such additional density shall be allocated to the remaining Units in the following order: first, to Unit 4; second, to Unit 5; and third, to Unit 6.

LOCATION AND NUMBERING OF APARTMENTS:

All apartments are identified by a one number digit from 1 through 7. The apartments consist of eight (8) separate structures shown as Units 1 through 7 on the Condominium Map.

COMMON ELEMENTS:

The common elements will include the land described in Exhibit "A" in fee simple, the limited common elements described herein, and all other portions of the project, and all common elements mentioned in the Condominium Property Act which are actually constructed on the Land herein described. The common elements shall include, but are not limited to:

1. Said land in fee simple;
2. All yards, grounds, landscaping, refuse facilities, sewage treatment facilities, walkways, sidewalks, pathways, driveways, and roads within the Project, which are used by more than one apartment.
3. All facilities and installations for power, light, water, sewer, gas and telephone and all pipes, plumbing, wires, conduits, or other utility or service lines which are utilized by or serve more than one apartment.

4. All other portions of the Project and improvements not specifically heretofore designated as apartments, but which are intended for common use and all other devices and installations existing for or rationally of common use or necessary to the existence, upkeep and safety of the Condominium Property Regime.

LIMITED COMMON ELEMENTS:

1. Certain parts of the common elements, herein called and designated "Limited Common Elements", are hereby designated and set aside and reserved for the exclusive use of certain apartments, and such apartments shall have appurtenant thereto exclusive easements for the use of such limited common elements. The Limited Common Elements are described as follows:

Unit 1: The land area under and surrounding Unit 1, consisting of approximately 1.199 acres, as designated on the Condominium Map, is reserved for the exclusive use of Unit 1 for the support of the building and other improvements comprising Unit 1, and for the yard, driveway purposes and parking.

Unit 2: The land area under and surrounding Unit 2, consisting of approximately 0.589 acre, as designated on the Condominium Map, is reserved for the exclusive use of Unit 2 for the support of the building and other improvements comprising Unit 2, and for the yard, driveway purposes and parking.

Unit 3: The land area under and surrounding Unit 3, consisting of approximately 1.000 acre, as designated on the Condominium Map, is reserved for the exclusive use of Unit 3 for the support of the building and other improvements comprising Unit 3, and for the yard, driveway purposes and parking.

Unit 4: The land area under and surrounding Unit 4, consisting of approximately 0.926 acre, as designated on the Condominium Map, is reserved for the exclusive use of Unit 4 for the support of the building and other improvements comprising Unit 4, and for the yard, driveway purposes and parking.

Unit 5: The land area under and surrounding Unit 5, consisting of approximately 0.926 acre, as designated on the Condominium Map, is reserved for the exclusive use of Unit 5 for the support of the building and other improvements comprising Unit 5, and for the yard, driveway purposes and parking.

Unit 6: The land area under and surrounding Unit 6, consisting of approximately 0.948 acre, as designated on the Condominium Map, is reserved for the exclusive use of Unit 6 for the support of the building and other improvements comprising Unit 6, and for the yard, driveway purposes and parking.

Unit 7: The land area under and surrounding Unit 7, consisting of approximately 2.713 acres, as designated on the Condominium Map, is reserved for the exclusive use of Unit 7 for the support of the building and other improvements comprising Unit 7, and for the yard, driveway purposes and parking.

2. Any entrance, exit, gateway, entry, patio, yard, driveway, or steps which would normally be used only for the purpose of ingress to and egress from a specific apartment shall be limited common element appurtenant to and reserved for the exclusive use of such apartment.

3. The limited common elements appurtenant to Units 1, 2, 3, 5 and 6 shall be subject to easements for access and utility purposes as shown on the Condominium Map and as described in the Declaration of Easements attached hereto as Exhibit "I".

EXHIBIT "B"

Paragraph L. of the Declaration provides that:

1. Each unit owner shall have the right at his sole option at any time and from time to time, as hereinafter set forth, without the consent and/or approval of the owner of any other unit or any other persons or entity, to improve, renovate, remodel, make additions to, enlarge, remove, replace, alter or restore the improvements to or in his unit or portions thereof or upon the limited common element appurtenant to his unit (collectively, the foregoing are referred to as "alterations"). Each unit owner shall have the right without the consent or joinder of any other person to amend this declaration and the Condominium Map to accomplish any such alterations. If required by the Act, promptly upon completion of such alterations the owner of the altered unit shall duly record such amendment to this declaration in the Bureau of Conveyances, together with a complete set of the floor plans of such unit as so altered, certified by a registered architect or professional engineer to fully and accurately depict the altered portions of the property as built. All existing unit owners and all future unit owners and their mortgagees, by accepting an interest in a unit, consent to all such alterations and agree to give and shall be deemed to have given the owner of the altered unit a power of attorney to execute an amendment to the declaration solely for the purpose of describing the alterations to such unit in the declaration. This power of attorney shall be deemed coupled with each owner's interest in his unit (including his common interest) and shall be irrevocable.

2. Pursuant to Chapter 205, Hawaii Revised Statutes, each unit owner is required to enter into an agreement with the County of Kauai certifying that any farm dwelling constructed on such unit will be used in connection with a farm or with agricultural activity that provides income to the family occupying the farm dwelling. After construction of the first farm dwelling within the Project and prior to the issuance of farm dwelling agreements and corresponding building permits for subsequent farm dwellings within the Project, the Planning Department of the County of Kauai will confirm, after conducting an on-site inspection, whether agricultural activities are being conducted on the Project in accordance with Chapter 205 of the Hawaii Revised Statutes. Each unit owner in the Project, therefore, shall bear an equal burden proportionate to the unit owner's respective appurtenant interest in the common area, for the cost of maintaining agricultural activities on the Project that are satisfactory to the Planning Department of the County of Kauai and that will allow the issuance of a Farm Dwelling Agreement and corresponding building permit to all of the units within the Project. Any assessment that may be necessary to maintain agricultural activities pursuant to this paragraph may be imposed upon each unit in accordance with the Bylaws as a common expense of the association in connection with the operation of the Project.

3. Any alteration of the plans of a unit pursuant to this paragraph L shall be subject to the following conditions:

(a) All building plans for any such alterations shall conform with County building or zoning laws and other applicable County ordinances.

(b) Such alterations may decrease or increase the size of the affected unit, provided that no alteration shall extend or place the unit outside of the limits of the yard appurtenant to such unit.

(c) All such alterations shall be at the sole expense of the unit owner making the change and shall be made within one (1) year of the commencement thereof and in a manner that will not unreasonably interfere with the other unit owner's use of his unit or yard.

(d) The owner of the altered unit shall have the right to utilize, relocate and realign existing and/or future additional, central and appurtenant installations for services to the unit affected by such alteration for electricity, sewer and other utilities and services and when applicable, to add, delete, relocate, realign, designate and grant easements and rights-of-way over, under and on the common elements as necessary or desirable in connection therewith; provided that the same shall not cause any interruption in the service of such utilities to any other part of the project, nor shall it unreasonably interfere with the other unit owner's use or enjoyment of his unit or yard.

(e) Each and every conveyance, lease and mortgage or other lien made or created on any unit and all common interests and other appurtenances thereto shall be subject to the provisions of this paragraph and any lease of a unit shall reserve to all unit owners the rights set forth in this paragraph.

4. Under current laws, the Project is entitled to construct three (3) Farm Dwellings. The right to construct one (1) Farm Dwelling each is reserved to the owners of Units 1, 3 and 7 respectfully, as provided in Exhibit "B". Said right may be assigned by the owner of Unit 1, 3 or 7 to any other unit owner within the Project at any time.

5. Under current laws, the Project is entitled to construct one (1) guest house. The right to construct said guest house is reserved to the owner of Unit 2, as provided in Exhibit "B". Said right may be assigned by the owner of Unit 2 to any other unit owner within the Project at any time.

***SPECIAL NOTATION:** When applying for zoning permits with the Planning Department of the County of Kauai, 75% of the owners of the project must sign the permit forms. This requirement is binding on all purchasers as well as future assignees.

The issuance of an effective date for the Condominium Public Report should not be construed to mean that all County Codes and Ordinances have been complied with and all subsequent development and use shall comply with applicable County Codes and Ordinances.

Additionally, the creation of the Condominium Property Regime does not mean that the land has met the subdivision requirements of the County. As such, certain facilities/improvements normally associated with County approved subdivisions may not be necessarily provided for.

EXHIBIT "C"

PERCENTAGE OF UNDIVIDED INTEREST IN THE COMMON ELEMENTS.

The undivided interest in the Common Elements appurtenant to each apartment shall be as described below. Each apartment shall have said fraction in all common profits and expenses of the Project and for all other purposes, including voting on all matters requiring action by the apartment owners.

| <u>Apartment Number</u> | <u>% of Undivided Interest</u> |
|-------------------------|--------------------------------|
| 1 | 15.35% |
| 2 | 7.40% |
| 3 | 11.63% |
| 4 | 10.76% |
| 5 | 10.76% |
| 6 | 10.76% |
| 7 | 33.34% |

EXHIBIT "D"

ENCUMBRANCES AGAINST TITLE

1. Any taxes that may be due and owing and tax liens that may exist, refer to Director of Finance, Couty of Kauai.
2. That should any of the owners desire to sell their interest in the subject property, they shall first offer the same to the other owners of the subject property for purchase at the same price and terms as is offered to the selling owner by a third party in a bona fide offer. The said offer to the other owners shall be in writing and the other owners shall have thirty (30) days to elect to purchase the selling owner's interest. If the other owners of the subject property refuse to purchase the selling owner's share at such terms and price, the selling owner shall thereupon offer in writing said share for purchase by any of the lineal descendants of Manuel Sanchez and Bertha Gomez Sanchez upon the same price and terms. If all of the lineal descendants of Manuel Sanchez and Bertha Gomez Sanchez refuse to accept the offer within thirty days, then the selling owner shall be free to sell his or her interest in the subject property to a third party upon the offered terms and price. Any new or different offer by the same or another third party to a selling owner shall be subject to the foregoing rights of the other owners and/or the lineal descendants of Manuel Sanchez and Bertha Gomez Sanchez to first purchase the interest. PROVIDED, however, that this restriction on the land shall automatically terminate and be extinguished upon the reclassification to "Urban" by the Land Use Commission of the State of Hawaii and the rezoning to "residential" by the County of Kauai.
3. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in Land Patent Grant 13,062 dated April 3, 1956. The foregoing includes, but is not limited to, matters relating to (A) all water rights and (B) all mineral reservations.
4. A 15 Foot Road Widening Setback Line along Kamalu Road, as per survey by Calvin L. K. Ching, Registered Professional Land Surveyor No. 1415-ES, dated September 10, 1973, as delineated on map attached to that certain Affidavit dated April 10, 1974, recorded on April 15, 1974, in Liber 9835 at Page 328.
5. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in that certain Farm Dwelling Agreement dated April 13, 1993, recorded as Document No. 93-074338.
6. Grant to Citizens Utilities Company, a Delaware corporation, and GTE Hawaiian Telephone Company Incorporated, a Hawaii corporation, dated May 24, 1993, recorded as Document No. 93-148393, granting a perpetual right and easement to build, construct,

reconstruct, rebuild, etc., underground lines, and to use such poles, wires, guys, anchors, conduits and other appliances and equipment as may be necessary for the transmission and distribution of electricity.

7. The effects, if any, of that certain Warranty Deed dated May 25, 1994, recorded as Document No. 94-132823, made by Gordon L. Sanchez, husband of Sandra Sanchez, "Grantor", and Doreen L. Sanchez-Rego, wife of Louis Rego, "Grantee".
8. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in that certain Farm Dwelling Agreement dated February 12, 1996, and recorded as Document No. 96-021599.
9. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in that certain Declaration of Easements dated November 19, 1996, and recorded as Document No. 96-167049. The foregoing includes, but is not limited to, matters relating to designation of Easements "A" through "F" within the units of "Sanchez Farms Condominium."
10. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in that certain Declaration of Condominium Property Regime of Sanchez Farms Condominium, dated November 19, 1996, and recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 96-167050, and Condominium Map No. 2493 and any amendments thereto. Said Declaration was amended by instrument dated December 11, 1998, and recorded in said Bureau as Document No. 98-188798.
11. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in that certain Bylaws of the Association of Unit Owners of Sanchez Farms Condominium, dated November 19, 1996, and recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 96-167051.

EXHIBIT "E"

**ESTIMATE OF INITIAL MAINTENANCE FEES
AND
ESTIMATE OF MAINTENANCE FEE DISBURSEMENTS**

Estimate of Initial Maintenance Fees:

| <u>Apartment</u> | <u>Monthly Fee</u> x 12 months = <u>Yearly Total</u> |
|------------------|--|
| Unit 1 | \$45.71 x 12 = \$548.52 |
| Unit 2 | \$45.71 x 12 = \$548.52 |
| Unit 3 | \$45.71 x 12 = \$548.52 |
| Unit 4 | \$45.71 x 12 = \$548.52 |
| Unit 5 | \$45.71 x 12 = \$548.52 |
| Unit 7 | \$45.71 x 12 = \$548.52 |

The Real Estate Commission has not reviewed the estimates of maintenance fee assessments and disbursements for their accuracy or sufficiency.

Estimate of Maintenance Fee Disbursements:

Monthly x 12 months = Yearly Total

Utilities and Services

Air Conditioning
Electricity
[] common elements only
[] common elements and apartments
Elevator
Gas
Refuse Collection
Telephone
Water and Sewer

Maintenance, Repairs and Supplies

Building
Grounds
Driveway

$$\$50.00 \times 12 = \$600.00$$

Management

Management Fee
Payroll and Payroll Taxes
Office Expenses
Fidelity Bond

$$\$50.00 \times 12 = \$600.00$$
$$\$70.00 \times 12 = \$840.00$$

Insurance

Reserves(*) (See Reserve Assessment attached)

$$\$80.00 \times 12 = \$960.00$$

Taxes and Government Assessments

Audit Fees

$$\$50.00 \times 12 = \$600.00$$

Other Annual Registration Expenses

$$\$20.00 \times 12 = \$240.00$$

TOTAL

\$3,840.00

We, GORDON L. SANCHEZ, DOREEN L. SANCHEZ-REGO and ROBIN D. SANCHEZ, the owners and developers of the condominium project SANCHEZ FARMS CONDOMINIUM, hereby certify that the above estimates of initial maintenance fee assessments and maintenance fee disbursements were prepared in accordance with generally accepted accounting principles.

Gordon L. Sanchez
GORDON L. SANCHEZ
Dated: 11/19/96

Doreen L. Sanchez Rego
DOREEN L. SANCHEZ-REGO
Dated: 11/19/96

Robin D. Sanchez
ROBIN D. SANCHEZ
Dated: 11/19/96

Continuation of Exhibit "E"

RESERVE ASSESSMENT

The only common element improvement for the project is an interior driveway, 20 feet wide and approximately 1,100 feet in length. The driveway is constructed of a gravel base course and asphalt surface. Its useful life is approximately ten (10) years, and the cost of repaving or restoring at the end of the useful life is estimated to be \$10,000.00. The Developer has determined that Reserves of \$960.00 per year should be maintained for the eventual resurfacing of the driveway.

EXHIBIT "F"

SUMMARY OF SALES CONTRACT (DEPOSIT RECEIPT, OFFER AND ACCEPTANCE)

The Deposit Receipt, Offer and Acceptance agreement, including the terms and conditions attached thereto as the CPR Addendum (hereinafter collectively called the "Sales Contract") contain the price and other terms and conditions under which a buyer will agree to buy a unit in the Project. Among other things, the Sales Contract states:

- (a) The total purchase price, method of payment and additional sums which must be paid in connection with the purchase of a unit.
- (b) That the Buyer acknowledges having received and read a public report (either preliminary, final or supplementary) for the Project prior to signing the Sales Contract.
- (c) That the Seller makes no representations concerning rental of a unit, income or profit from a unit, or any other economic benefit to be derived from the purchase of a unit.
- (d) That the Buyer's money will be held in escrow, under the terms of the Escrow Agreement and that the Buyer is bound by the Escrow Agreement.
- (e) That there are certain contingencies and requirements relating to the Buyer's financing of the purchase of a unit.
- (f) That the unit and the Project will be subject to various other legal documents which the Buyer should examine, and that the Seller may change these documents under certain circumstances.
- (g) That the Seller makes no warranties regarding the unit, the Project or anything installed or contained in the unit or the Project.
- (h) That the Buyer must close the purchase at a certain date and pay closing costs, in addition to the purchase price.
- (i) That the Buyer may or may not receive interest on deposits made under the Sales Contract, depending on what the Seller and Buyer may mutually decide.
- (j) That if the Buyer shall default:

(1) The contract may, at the Seller's option, be terminated by written notice to the Buyer; and

(2) Any deposits sums paid by the Buyer shall belong to the Seller as liquidated damages; and

(3) The Seller may pursue any other remedy, including specific performance, permitted by law or equity. All costs, including reasonable attorneys' fees, incurred by reason of default by the Buyer shall be borne by the Buyer.

The Sales Contract contains various other important provisions relating to the purchase of a unit in the Project. It is incumbent upon Buyer and prospective buyers to read with care the specimen Sales Contract (Deposit Receipt, Offer and Acceptance) on file with the Real Estate Commission.

EXHIBIT "G"

The Escrow Agreement establishes the arrangement under which the deposits and payments a purchaser makes pursuant to a Sales Contract for the purchase of a unit will be held by a neutral party ("Escrow"). Under the Escrow Agreement, Escrow will let the purchaser know when payments are due and will arrange for the purchaser to sign all necessary documents.

The Escrow Agreement also establishes the procedures for the retention and disbursement of a purchaser's funds and says what will happen to the funds upon a default under the Sales Contract. The purchaser may be entitled to a refund of his or her funds only under certain circumstances as set forth in the Sales Contract. Except as provided herein, Escrow may not disburse any purchaser's funds in the construction of the project until completion of the project and the expiration of the mechanic's and materialmen's lien period. Escrow may disburse purchaser's funds prior to completion of the project and expiration of the applicable lien period if the Developers: Furnish each purchaser an Owners Title Insurance with an endorsement against any future liens placed on the apartments or project as a result of the development; and provide the Real Estate Commission with a release of the General Contractor's lien rights.

The Escrow Agreement contains various other important provisions and establishes certain charges with which a purchaser should be similar. It is incumbent upon purchasers and prospective purchasers to read with care the executed Escrow Agreement on file with the Real Estate Commission. Among those provisions are the following:

1. Receipt of Funds by Escrow. Developer shall pay over to Escrow any monies received by Developer from purchasers under sales contracts covering units in the Project, including all disbursements made on loan commitments, if any, from lending institutions to individual purchasers. Escrow shall receive, hold in escrow, and disburse: (a) all payments received by Escrow under sales contracts made by Developer; (b) all sums received by Escrow from Developer; (c) all funds from any lending institution pursuant to a mortgage loan for the purchase of any unit by individual purchasers; and (d) all sums received by Escrow from any other source on account of this Project.

2. Conditions to be Met Prior to Disbursement. No disbursements of funds held in escrow shall be made unless and until the following conditions have been fulfilled:

- (a) The Real Estate Commission shall have issued a Final Report on the Project; provided, however, to the extent any sales contracts are entered into and a purchaser's funds are obtained prior to the issuance of a Final Public Report of the Real Estate Commission, no disbursements shall be made from such purchaser's funds until: (i) such Final Public Report shall have been issued; (ii) the purchaser shall have been given a copy of said Final Public Report and shall have acknowledged receipt of same or shall have been deemed to have acknowledged receipt

of same; and (iii) Developer's attorney shall have delivered a written opinion to Escrow that the purchaser's sales contract has become effective;

(b) Developer or Developer's attorney shall have delivered a written opinion to Escrow stating that the requirements of Sections 514A-62 and 514A-63, Hawaii Revised Statutes, as amended, have been met; and, if the project is a conversion project, that requirements of Section 521-38, Hawaii Revised Statutes, as amended, have been complied with;

(c) Developer shall have given Escrow a written waiver of any option reserved in any sales contract to cancel such sales contract;

(d) Developer shall have delivered to Escrow a certificate from Developer's architect stating that the project is in compliance with the Federal Fair Housing Amendments Act of 1988;

(e) The Owner-Occupant Affidavit shall have been personally reaffirmed by all the prospective Owner-Occupants of the residential unit no earlier than their receipt of a final public report but no later than closing of escrow for the unit, and the prospective Owner-Occupants shall have delivered to Escrow the reaffirmed Affidavit and proof of the date of receipt by the prospective Owner-Occupants of the final public report; and

(f) The prospective Owner-Occupants of residential units shall have delivered to Escrow a claim for an owner-occupant property tax exemption for filing with the appropriate county office.

3. Return of Funds and Documents. A purchaser shall be entitled to a return of funds and Escrow shall pay such funds to such purchaser, without interest, if any one of the following has occurred:

(i) Developer and the purchaser shall have requested Escrow in writing to return to the purchaser the funds of the purchaser held by Escrow;

(ii) Developer shall have notified Escrow of Developer's exercise of the option to cancel or rescind the sales contract pursuant to any right of cancellation or rescission provided therein or otherwise available to Developer;

(iii) With respect to a purchaser whose funds were obtained prior to the issuance of the Final Report, the purchaser has exercised such purchaser's right to cancel the contract pursuant to Section 514A-62, Hawaii Revised Statutes, as amended; or

(iv) The purchaser has exercised such purchaser's right to rescind the contract pursuant to Section 514A-63, Hawaii Revised Statutes, as amended.

In any of the foregoing events, Escrow shall, upon the occurrence of the event described in (i) or (ii) above or upon receipt of written request for a refund from the purchaser upon the occurrence of an event described in (iii) or (iv) above, unless the purchaser has waived or has been deemed to have waived the right to a refund, pay said funds to said purchaser (less a cancellation fee of Escrow of not less than \$25.00 per unit of a cancellation fee commensurate with the work done by Escrow prior to such cancellation, whichever fee is greater, up to a maximum of \$250.00) and any partially executed conveyance document theretofore delivered to Escrow shall be returned to Developer; provided, however, that no refund shall be made to a purchaser at the purchaser's request prior to receipt by Developer of written notice from Escrow of Escrow's intent to make such refund.

Notwithstanding any other provision in this Agreement to the contrary, a purchaser shall be entitled to a return of funds and Escrow shall pay such funds to such purchaser, without interest, pursuant to Chapter 514A, Part VI, Hawaii Revised Statutes, if Developer or the purchaser shall so request in writing and any one of the following events has occurred:

- (i) No sales contract has been offered to the prospective Owner-Occupant within six months of the issuance of the first public report or of the public lottery (as applicable); or
- (ii) The prospective Owner-Occupant has requested to be removed from the final reservation list (as defined in Section 514A-104, Hawaii Revised Statutes);
- (iii) The prospective Owner-Occupant has elected not to execute a sales contract; or
- (iv) The prospective Owner-Occupant has not obtained adequate financing, or a commitment for adequate financing, by a date which is no earlier than fifty calendar days after Developer's execution and acceptance of the sales contract.

The sales contract shall be rescinded pursuant to Section 514A-105(d), Hawaii Revised Statutes, if any prospective Owner-Occupant is unable to reaffirm the Affidavit as described in subparagraph 3(e) above. Any partially executed conveyance document theretofore delivered to Escrow shall be returned to Developer. All deposits shall be refunded to the purchaser unless (i) Developer or Developer's attorney shall have delivered a written opinion to Escrow stating that the sales contract has become binding upon the purchaser pursuant to Section 514A-62, Hawaii Revised Statutes, as amended, and (ii) written instructions approved by Developer and the prospective Owner-Occupant direct Escrow to distribute the deposit otherwise.

4. Unclaimed Funds. Escrow shall give each purchaser entitled to a return of funds notice thereof by registered, certified or regular mail, postage prepaid addressed to such purchaser at the purchaser's address shown on the sales contract or any address later made known

in writing to Escrow by such purchaser. If such purchaser shall not have claimed such refund within sixty (60) days, Escrow shall deposit such funds into a special account in a bank or other depository selected by Escrow, in the name of Developer, as trustee for the benefit of such purchaser. After notifying the purchaser of all such facts at the purchaser's address as described herein and delivering all partially executed conveyance documents to Developer, Escrow shall thereupon be released from any further duties or liability hereunder with respect to such funds and such purchaser.

5. Purchaser's Default. Developer shall give notice in writing to Escrow of the occurrence of each event that initiates an obligation of a purchaser to make a payment to Escrow pursuant to the sales contract as well as notice of the amount and due date of such payment. Escrow shall thereupon promptly give the purchaser notice of the amount and due date of such payment. If the purchaser fails to make such payment to Escrow on or before the due date thereof or if the purchaser fails to perform in any matter that is being handled by Escrow, Escrow shall promptly notify Developer of any such failure on the part of the purchaser. If Developer subsequently certifies in writing to Escrow that Developer has terminated the sales contract in accordance with the terms thereof and provides to Escrow copies of all such notices of termination sent to the purchaser, Escrow shall thereafter treat all funds of the purchaser paid on account of such purchaser's sales contract as funds of Developer and not as funds of the purchaser. Thereafter, such funds shall be free of the escrow established by this Agreement and shall be held by Escrow for the account of Developer. Upon written request by Developer, Escrow shall pay such sums to Developer, less any escrow cancellation fee, shall return to Developer any partially executed conveyance documents that had been theretofore delivered to Escrow by Developer and shall hold all other documents theretofore delivered to Escrow in connection with the purchase of the unit for the statutory period; and, Escrow shall thereupon be released from any further duties or liability hereunder with respect to such funds and such purchaser.

AVERY H. YOUN, ARCHITECT
3082 A PELEKE STREET
LIHUE, HAWAII 96766

**SANCHEZ FARMS CONDOMINIUM
ARCHITECT'S CERTIFICATION**

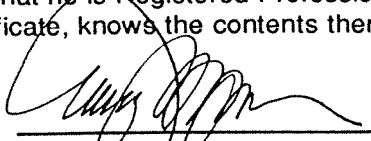
I hereby certify that the Condominium Map for the SANCHEZ FARMS condominium designated by Tax Map Key, Fourth Division, 4-4-02: 87, with an area of approximately 9.449 acres, consisting of (7) sheets of which the site plan was prepared and certified to by Wayne T. Wada, Registered Land Surveyor, and the remaining 6 sheets were prepared and/or reviewed by the undersigned, fully and accurately depict the floor plans, elevations, layout, location, site plan, unit locations and the numbers of the units, together with the limited common land areas of the condominium project, as filed with and approved by the County of Kauai official having jurisdiction over the issuance of building permits, as built, with the following exception:

1. Unit 1 Guest Cottage is 5 years old and was constructed differently from the plans approved and on file at the County Building Division, in that window sizes were changed and the floor plan was constructed reverse. Its expected useful life is 4 years.
2. Unit 2 Workshop is 5 years old and was constructed differently from the plans approved and on file at the County Building Division, in that the bathroom and closet was constructed to the left instead of the rear of the building. Its expected useful life is 45 years.
3. Unit 3 Dwelling, construction completed in August, 1996.
4. Unit 4,5 and 6 contain open Storage Sheds constructed in 1992.
5. Unit 7 contains a Green House and Storage Shed constructed in 1996.

No plans showing the revisions of Units 1 and 2 are on file at the Building Division, however, final inspection approval of the revisions made was granted by the County; therefore no code violations existed at time of construction.

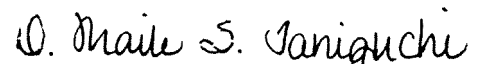
STATE OF HAWAII)
) SS.
COUNTY OF KAUAI)

AVERY H. YOUN, being first duly sworn, deposes and says: That he is Registered Professional Architect No. 3576 in the State of Hawaii, has read the foregoing Certificate, knows the contents thereof and the same is true.



AVERY H. YOUN

Subscribed and sworn to before me
this 19th day of November 1996.


Notary Public, State of Hawaii
my commission expires. 2/18/2000

AVERY H. YOUN, ARCHITECT
2980 Ewalu Street, Suite 1
Lihue, Kauai, Hawaii 96766

SANCHEZ FARMS CONDOMINIUM
ARCHITECT'S CERTIFICATION

I hereby certify that the Condominium Map for the SANCHEZ FARMS condominium designated by Tax Map Key, Fourth Division, 4-4-02: 87, with an area of approximately 9.449 acres, consisting of 7 sheets of which the site plan was prepared and certified by Wayne T. Wada, Registered Land Surveyor, and the remaining 6 sheets were prepared and/or reviewed by the undersigned, fully and accurately depict the floor plans, elevations, layout, location, site plan, unit locations and the numbers of the units, together with the limited common land areas of the condominium project, as built. I note, however, that these as-built plans differ from the plans filed with and approved by the County of Kauai official having jurisdiction over the issuance of building permits in the following respects:

1. Unit 1 Guest Cottage was constructed differently from the plans approved and on file at the County Building Division, in that window sizes were changed and the floor plan was constructed reverse.
2. Unit 2 Workshop was constructed differently from the plans approved and on file at the County Building Division, in that the bathroom and closet was constructed to the left instead of the rear of the building.

No plans showing the revision to Units 1 and 2 are on file at the County Building Division. However, final inspection approval of the buildings, as revised, was granted by the County and as a result, no code violations existed at time of construction.



AVERY H. YOUN
Registered Professional Architect No. 3576

Dated: 11-17-98

STATE OF HAWAII)
) SS:
COUNTY OF KAUAI)

On this 17th day of November, 1998, before me personally appeared AVERY H. YOUN, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed.

L.S.

D. Maile S. Taniguchi

Name of Notary: D. Maile S. Taniguchi
Notary Public, State of Hawaii.

My commission expires: 02/18/2000

EXHIBIT "I"

LAND COURT SYSTEM

REGULAR SYSTEM

RETURN BY: MAIL [] PICKUP [] To:

County of Kauai
Planning Department
4280 Rice Street
Lihue, Kauai, Hawaii 96766

FARM DWELLING AGREEMENT

This agreement made and entered into as of the _____ day of

_____, 19 _____, by and between _____

whose mailing address is _____

hereinafter called the "APPLICANT(S)", and the COUNTY OF KAUAI, Planning Department, whose business and mailing address is 4280 Rice Street, Lihue, Hawaii 96766, hereinafter called the "DEPARTMENT",

W I T N E S S E T H :

WHEREAS, the APPLICANT(S) warrant and represent that they are the _____ of that certain

parcel of land, Tax Map Key No. _____ more particularly described in Exhibit "A", attached hereto and made a part hereof; and

WHEREAS, this document pertains only to _____ as shown in Exhibit "B" and made part hereof; and

WHEREAS, that certain parcel of land is classified Agriculture by the State Land Use Commission and is zoned Agriculture by the County of Kauai; and

WHEREAS, Chapter 205, Hawaii Revised Statutes, and the State Land Use District Regulations only permit "farm dwellings" within the State Agriculture Land Use District unless otherwise relieved from the restriction by a special permit obtained pursuant to Chapter 205, Section 6, Hawaii Revised Statutes; and

WHEREAS, a "farm dwelling" is defined by Chapter 205, Hawaii Revised Statutes, and the State Land Use District Regulations as "a single family dwelling located on and used in connection with a farm where agricultural activity provides income to the family occupying the dwelling"; and

WHEREAS, the parcel identified by Tax Map Key No. _____ is entitled to _____ residential units and one guest house; and

WHEREAS, this agreement is evidenced that _____ is entitled to one of those residential units; and

WHEREAS, a "family" as used in the definition of a "farm dwelling" is defined by the State Land Use District Regulations as "an individual or two or more persons related by blood, marriage or adoption or a group comprising not more than five persons, not related by blood, marriage or by adoption"; and

WHEREAS, the APPLICANT(S) acknowledge that a violation of Chapter 205, Hawaii Revised Statutes, and the State Land Use District restriction is subject to a citation and fine of not more than \$5,000 pursuant to Chapter 205, Section 13, Hawaii Revised Statutes, as amended; and

WHEREAS, the APPLICANT(S) also acknowledge that failure to abide by this agreement may result in the removal of the prohibited structure at the owner's expense; and

WHEREAS, the DEPARTMENT is charged with the enforcement of the restriction by Chapter 205, Hawaii Revised Statutes; and

WHEREAS, the APPLICANT(S) wish to construct a dwelling unit on that certain parcel of land described in Exhibit A; and

WHEREAS, the APPLICANT(S) wish to execute this Farm Dwelling Agreement without first obtaining the signatures of all interest holders in the CPR;

NOW THEREFORE, for and in consideration of the terms, covenants and conditions hereinafter contained, the parties hereby mutually agree as follows:

1. That the dwelling permitted to be constructed on the parcel of land described in Exhibit "A" classified Agriculture by the State Land Use Commission shall be a "farm dwelling" as defined by Chapter 205, Hawaii Revised Statutes, and the State Land Use District Regulations, as recited herein; and

2. That the dwelling shall only be occupied by a "family", as defined by the State Land Use District Regulations and as recited herein, who derive income from the agricultural activity on the parcel; and

3. That the APPLICANT(S) and all present and future owners, lessees and occupants of said land grant the DEPARTMENT the right of entry at the request of the DEPARTMENT to inspect the premises to assure compliance with the provisions of this agreement; and

4. That this agreement shall be a covenant running with the land and be binding on the APPLICANT(S), and all present and future owners, lessees and occupants of said land and anyone claiming under said APPLICANT(S), their heirs, executors, administrators, successors and assigns, as owners or occupants thereof or otherwise; and

5. That this agreement shall remain in effect so long as the land retains its Agriculture District classification under the State Land Use Commission and the pertinent restrictive provisions of Chapter 205, Hawaii Revised Statutes, and the State Land Use District Regulations remain in effect; and

6. That the APPLICANT(S) expressly set forth the provisions of this agreement in any subsequent conveyance, deed, lease or rental agreement to said property executed by them, so as to give effect to said covenant; and

7. That this agreement shall be recorded with the State of Hawaii Bureau of Conveyances, fees to be paid by the APPLICANT(S); and

8. The DEPARTMENT and APPLICANT(S) shall execute the Farm Dwelling Agreement; and

9. The APPLICANT(S), for themselves (himself/herself), their (his/her) heirs, administrators, successors and assigns, do hereby waive and release the DEPARTMENT and the County of Kauai, a political subdivision of the State of Hawaii, whose principal place of business is 4396 Rice Street, Lihue, Hawaii, 96766, from all claims and causes of action, either legal or equitable, which may hereafter accrue by reason of the DEPARTMENT'S execution of said Farm Dwelling Agreement; and

10. The APPLICANT(S) do(es) hereby promise to indemnify and hold the DEPARTMENT and the County of Kauai, its successors, assigns, offices, employees, agents, attorneys or any other person or legal entity connected with or legally responsible to them, harmless from any and all claims, actions, causes of action, lawsuits, demands or liability for damages of whatever kind and nature, arising out of the DEPARTMENT'S execution of said Farm Dwelling Agreement; and

11. This Agreement shall be a covenant running with the portion of land described in Exhibit A, and shall be binding on APPLICANT(S) and all present and future owners and occupants of said portion of land and any one claiming under APPLICANT(S), their successors, and assigns, as owners or occupants thereof. The APPLICANT(S) further agree(s) to expressly set forth the provisions of this waiver and indemnity agreement in any subsequent conveyance, deed, lease, or rental agreement so as to give effect to said covenant.

IN WITNESS WHEREOF, the parties hereto have caused these presents to be executed on the _____ day of _____, 19 ____.

APPROVED:

Applicant(s)

Planning Director

APPROVED AS TO FORM
AND LEGALITY:

County Attorney

STATE OF HAWAII)
) ss.
COUNTY OF KAUAI)

On this _____ day of _____, 19 _____, before me personally appeared _____

to me known to be the person(s) described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.

Notary Public, Fifth Judicial Circuit
State of Hawaii

My commission expires:

EXHIBIT "J"

Paragraph K.2. of the Declaration provides that:

2. Pursuant to Chapter 205, Hawaii Revised Statutes, each unit owner is required to enter into an agreement with the County of Kauai certifying that any farm dwelling constructed on such unit will be used in connection with a farm or with agricultural activity that provides income to the family occupying the farm dwelling. After construction of the first farm dwelling within the Project and prior to the issuance of farm dwelling agreements and corresponding building permits for subsequent farm dwellings within the Project, the Planning Department of the County of Kauai will confirm, after conducting an on-site inspection, whether agricultural activities are being conducted on the Project in accordance with Chapter 205 of the Hawaii Revised Statutes. Each unit owner in the Project, therefore, shall bear an equal burden proportionate to the unit owner's respective appurtenant interest in the common area, for the cost of maintaining agricultural activities on the Project that are satisfactory to the Planning Department of the County of Kauai and that will allow the issuance of a Farm Dwelling Agreement and corresponding building permit to all of the units within the Project. Any assessment that may be necessary to maintain agricultural activities pursuant to this paragraph may be imposed upon each unit in accordance with the Bylaws as a common expense of the association in connection with the operation of the Project.